

VOLUME 4, CHAPTER 11: “COMPONENT DEBT”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated October 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110102.B.2.	Updated hyperlink for USC citation	Update
110305	Corrected verb tense	Update

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CHAPTER 11

COMPONENT DEBT

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting principles and policy to be followed by Department of Defense (DoD) Components to account for debt incurred in accordance with statutory authority.

110102. Overview

The Department's debt primarily consists of interest and principal payments due to the U.S. Treasury and the Federal Financing Bank. Debt incurred by DoD Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the Department of Defense's mission, including mortgage agreements accepted pursuant to the Family Housing Program and the Homeowners Assistance Fund.

A. The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed. The majority of the debt represents direct and guaranteed loans to foreign governments. Before 1992, funds were borrowed from the Federal Financing Bank to either directly loan the funds to foreign governments or to reimburse defaulted guaranteed loans. Beginning in 1992, the Department began borrowing funds for the Foreign Military Financing Program from the U.S. Treasury, in accordance with the Federal Credit Reform Act of 1990, which governs all direct loan obligations and loan guarantee commitments made after FY 1991. Guidance on direct loans and loan guarantees is contained in Volume 12, Chapter 4.

B. Debt Associated with Housing Programs

1. Family Housing Program. The Defense Family Housing Program (FHP) provides housing for military families and for civilian families where circumstances require the Department of Defense to support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing. Guidance for financing the FHP is contained in Volume 2B, Chapter 6, while guidance for accounting for funds made available for this program is contained in Volume 3, Chapter 5.

2. Homeowners Assistance Fund

a. Under [42 U.S.C. 3374](#), the Secretary of Defense is authorized to provide assistance to owners of one- or two-family dwellings located at or near

military installations ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section (d) of the statute established the Homeowners Assistance Fund (HAF). Section (g) authorized the Secretary of Defense to enter into an agreement with the Secretary of Housing and Urban Development (HUD) with respect to the administration of the program. That agreement provided that, on DoD's behalf, HUD will maintain, manage, and dispose of such properties acquired by the DoD and be reimbursed for all costs incurred in its administration. That agreement was terminated as of January 1, 1993. Since that date, all properties acquired are managed and disposed of by the U.S. Army Corps of Engineers (USACE).

b. The USACE Chief of Engineers is responsible for obtaining title to the properties and for their administration. The Chief of Engineers is also responsible for negotiating the DoD acquisition price with the property owner.

c. Funding for this program is through annual appropriations made available by the Congress.

d. DoD Directive 4165.50E, "Homeowners Assistance Program," (HAP) provides overall policy guidance and information on this program.

1102 ACCOUNTING POLICY FOR DEBT ASSOCIATED WITH HOUSING PROGRAMS

110201. Accounting Policy for Properties under FHP and HAP

The accounting policy for properties acquired under both the FHP and HAP is the same as those for real property discussed in Volume 4, Chapter 6. The accounting policy for the liabilities incurred under both programs is discussed in the following paragraphs.

110202. Liability for Amounts Owed on Housing Acquired under FHP and HAP

The liability for amounts owed on housing acquired under the two programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.

110203. Mortgage Balance Payable Reductions

The balance of the mortgages payable will be reduced by that portion of the periodic payments made which represent the mortgage principal.

110204. Liabilities for Borrowing from Other Organizations

Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

1103 ACCOUNTING FOR COMPONENT DEBT

110301. Accounts Used to Report DoD Debt

The accounts used to report DoD debt are described in the following paragraphs. The entries for these accounts are specified in the [United States Standard General Ledger Standard Financial Information Structure Transaction Library](#).

110302. Principal Payable to the Bureau of the Public Debt (Account 2510)

“Principal Payable to the Bureau of the Public Debt” is used to record amounts borrowed from the Treasury. Accrued Interest associated with these borrowings is recorded to “Accrued Interest Payable” (Account 2140).

110303. Principal Payable to the Federal Financing Bank (Account 2520)

“Principal Payable to the Federal Financing Bank” is used to record amounts borrowed from Federal Financing Banks. Accrued Interest associated with these borrowings is recorded to “Accrued Interest Payable” (Account 2140).

110304. Securities Issued by Federal Agencies Under General and Special Financing Authority (Account 2530)

"Securities Issued by Federal Agencies Under General and Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

110305. Participation Certificates (Account 2540)

"Participation Certificates" are used to record a DoD Component's liability for its share of participation certificates issued pursuant to legislative authority.

110306. Other Debt (Account 2590)

"Other Debt" is used to account for all other forms of DoD liabilities, secured and unsecured, not otherwise classified above.